

ANNUAL REPORT

CanCorp

1974

AR05



Sub

AGNICO-EAGLE
mines limited



INDEX

	Page
Board of Directors and Officers	3
General Corporate Information	3
President's Report to the Shareholders	5
Longitudinal Section of Main Ore Zone	6
Property Plan (Gold Division)	8
Artist's Sketch of Underground Workings	10
Company Housing in Joutel, Quebec	13
Mine Manager's Report (Gold Division)	14
Revised Flowsheet of Treatment Process	16
Mine Manager's Report (Silver Division)	20
Consolidated Balance Sheet	22-23
Auditors' Report to Shareholders	23
Consolidated Statement of Retained Earnings	24
Consolidated Statement of Income	24
Consolidated Statement of Deferred Expenditures (Gold Division)	25
Consolidated Statement of Changes in Financial Position	25
Notes to Consolidated Financial Statements	26-27
Map of Company's Holdings in Cobalt Camp	28

AGNICO-EAGLE
mines limited



ANNUAL REPORT TO SHAREHOLDERS

For the Year Ended December 31, 1974



Looking northeast across the surface plant at the Joutel Township Gold Mine of Agnico-Eagle Mines Limited. This aerial picture was taken during the final stage of construction during 1973. The scheduled addition to the mill building to accommodate the additions to the treatment plant will be constructed in the area adjacent to the existing building toward the bottom left hand side.

Officers

Paul Penna, President and Managing Director
Mikey Drutz, Secretary-Treasurer

Directors

ARCHIE BASEN, Executive, American Louver of Canada Limited
ALLEN BINSTOCK, Real Estate Agent, Ernest Goodman Limited
IRVING DOBBS, Insurance Executive
GORDON W. KIRK, P.Eng., Mining Engineer
MILTON KLYMAN, Broker-Dealer, M. Greene & Associates Limited
PAUL PENNA, Executive, Jakmin Investments Limited

Mine Staff — Silver Division

Mine Manager, Gordon W. Kirk, P.Eng.
Chief Geologist and Engineer, Brian Thorniley, B.Sc., M.Sc., P.Eng.
Mine Superintendent, Armand R. Cote, P.Eng.
Mill Superintendent, Gordon W. Wilson, P.Eng.
Chief Accountant, Herbert O. Johnson

Mine Staff — Gold Division

Mine Manager, Donald J. LaRonde, B.Sc., P.Eng.
Assistant Manager and Mill Superintendent, Karol O. Mikulash, P.Eng.
Chief Geologist and Chief Engineer, Anton Adamcik, B.Sc.
Mechanical Superintendent, Amy Dupas
Chief Electrician, Michel Caron
Construction Superintendent, George Gervais
Underground Superintendent, Ronald Daigle
Administrative Manager, Gerry R. Rodrigue

Consulting Geologist

W. A. Hubacheck, B.Sc., P.Eng.

Executive and Head Office

Suite 300, 365 Bay Street,
Toronto, Ontario, Canada M5H 2V1

Mine Office — Silver Division

P.O. Box 140, Cobalt, Ontario P0J 1C0

Mine Office — Gold Division

P.O. Box 310, Joutel, Quebec J0Y 1N0



Auditors

Starkman, Kraft, Rothman, Berger & Grill,
Chartered Accountants, Toronto, Ontario

Solicitors

Shibley, Righton & McCutcheon,
Toronto, Ontario

Bankers

The Toronto-Dominion Bank,
Toronto, Ontario

Registrar and Transfer Agent

Guaranty Trust Company of Canada
88 University Avenue, Toronto, Ontario
427 St. James Street, Montreal, Quebec

Share Listings

The Toronto Stock Exchange, Toronto, Canada
Montreal Stock Exchange, Montreal, Canada
Ticker Symbol "AGE"
O.T.C. in United States of America
NASDAQ Symbol "AEAGF"

Annual and General Meeting of Shareholders

Friday, June 27, 1975 at 10:00 a.m. (Toronto Time),
Confederation Room No. 5, Royal York Hotel,
Toronto, Canada

The refinery furnace at the Agnico-Eagle Mines Limited gold division is shown here during the pouring of a gold bar which usually contains in the order of about 800 ounces of gold. The refinery furnace is charged with a mixture of gold precipitate and flux and after heating to a temperature of about 2,500° F., the molten gold and slag is poured into molds where the gold, owing to its high density, separates from the slag.



This picture shows four gold bars — plus a "button" — representing a total of 3,204 ounces of gold, the product of less than three weeks of operations. The four gold bars containing a combined 3,092 ounces which were shipped on April 11, 1975, had a value of \$545,649.

AGNICO-EAGLE
mines limited



President's Report to the Shareholders

The year 1974 was highlighted by the achievement of production efficiency at the Company's gold mining division near Joutel, Quebec, in the fourth quarter, demonstrating the substantial resolution of the main metallurgical problems that inhibited operations for the major part of the year; the decision to embark on a large scale, long range underground program at the gold division; and the acquisition by the silver division of two contiguous former producing silver mines to augment its main production unit in the Cobalt area, Ontario.

GOLD DIVISION

Following the customary tune-up period, which in the case of your Company's new milling and extraction facilities involved more than the usual number of modifications and additions to the mill circuit due to the complexity of the ore and the necessity for innovative and sometimes trial metallurgical procedures, commercial production efficiency was achieved during the fourth quarter of 1974. However, it is to be noted that mill treatment rates will continue to be restricted below capacity pending the installation of essential equipment to increase flotation capacity and improve filtration.

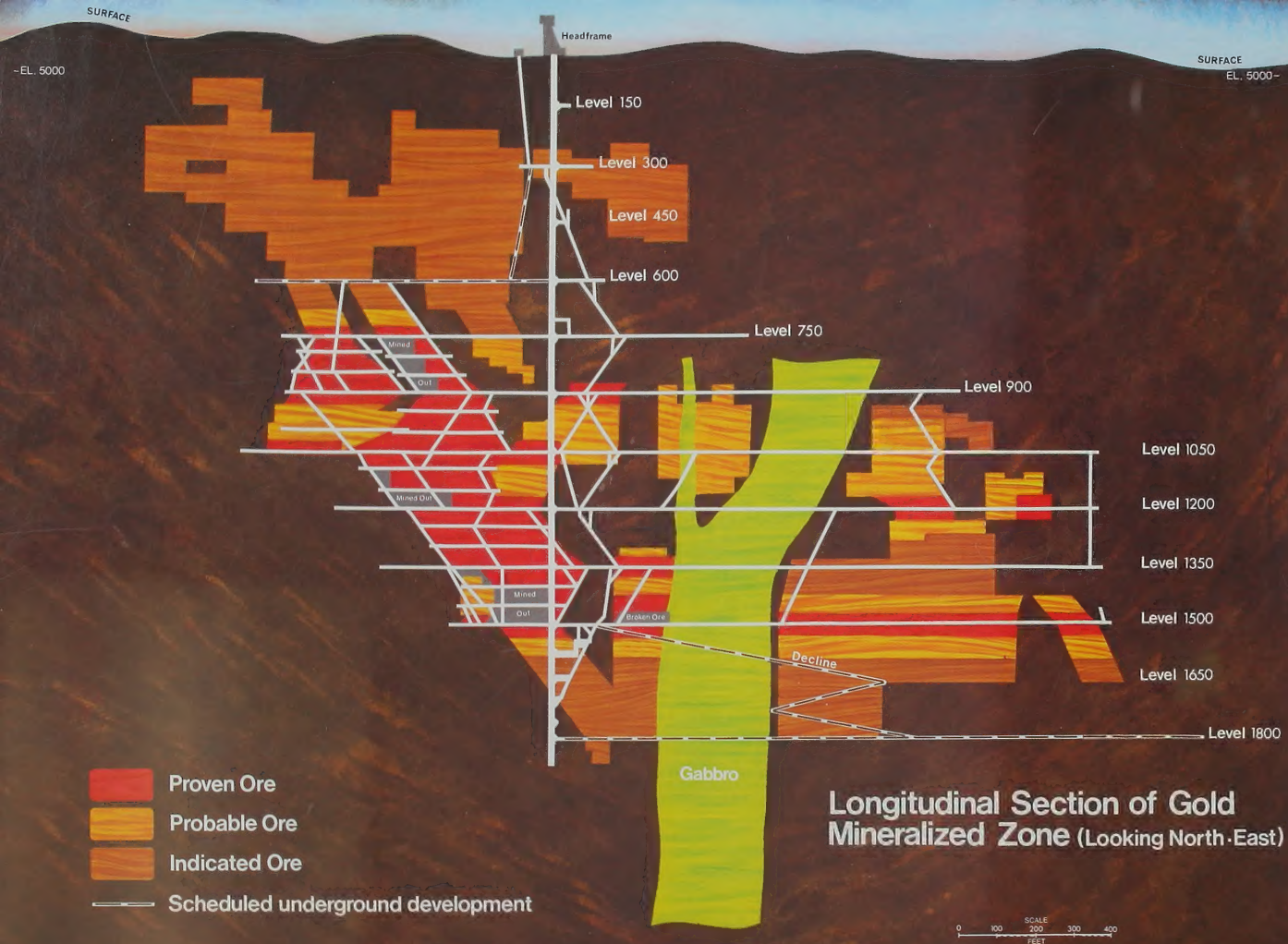
These additions and further refinements to the mill circuit, which should enable metallurgical recovery rates of 90% or better, are

scheduled to be commissioned during the fourth quarter of 1975 at which time the overall ore treatment rate could be expanded by approximately 20% for a total capacity of upwards of 1,200 tons daily. The decision to utilize this available additional capacity will depend to some degree on the results of the underground development and exploration work to be carried out during and beyond the current year.

During the three month period ended December 31, 1974 (the commencement of production efficiency) the mill — operating at about 75% of present design rate — treated a total of 67,999 tons of ore grading an average of 0.246 ounce of gold per ton to produce 12,723 ounces of gold at a recovery rate of 75.9%. Throughout this period, the mill treated an average of 756 tons daily.

As stated in the appropriate Note (1) to the appended Financial Statements, all income derived from the gold division's bullion production prior to October 1, 1974 has been deducted from deferred expenditures, this being the tune-up period. Therefore, the Consolidated Statement of Income reflects only the fourth quarter revenue and expenses with respect to the gold division, plus the full year's income from the silver division.

The continued progressive improvement in both metallurgical recoveries and milling rates is already evident in current mine operating results.



For the first quarter of 1975, the mill treated a total of 73,697 tons of ore, or an average of 819 tons per day equal to about 82% of present design rate. The average grade of ore treated in this period was 0.252 ounce of gold per ton yielding 14,656 ounces of gold with an average recovery rate of 78.8% which at times exceeded 80%. The gross value of production for the gold division for this period, including the recovery of some 4,058 ounces of silver which accompanies the gold, amounted to \$2,661,554.

Cash flow from the gold division in this period during which operations are still significantly below optimum conditions, amounted to \$1,290,409.

If projected on the basis of a minimum 90% metallurgical recovery and a daily milling rate of 1,000 tons, the production of gold from this grade of ore for a comparable three month period would exceed 20,400 ounces.

During the full 1974 year and including the nine month tune-up period which was punctuated by frequent shut-downs of the mill to enable necessary changes in the circuit, a total of 194,702 tons of ore was treated averaging 0.248 ounce of gold per ton to produce 31,709 ounces of gold. This was on the basis of an average daily milling rate of about 535 tons or slightly above 50% of design rate and with metallurgical recoveries averaging 64.3% over the entire 12 month period.

With the reasonable expectation that mine operations will attain near optimum rates during the fourth quarter of 1975, viz., a milling rate of 1,000 tons per day and metallurgical recoveries of at least 90%, the then projected annual rate of gold production should reach the initial target level of from 80,000 to 90,000 ounces. In this projection it is assumed that the mill will treat the current mined ore grade of around 0.25 ounce of gold which, interestingly, is below the ore reserve average grade of 0.29 ounce of gold.

Your Company, in keeping with the practice of most gold producers, can be fairly flexible in mining to a lower gold content to take advantage of the current gold prices and the probable higher levels anticipated for the foreseeable future, and at the same time maintain satisfactory profit margins.

UNDERGROUND DEVELOPMENT

As noted in the Mine Manager's Report (Gold Division), all underground work during 1974 was concentrated exclusively on ore development, principally in the west end of the mine between the 1500 and 750 levels, with a resultant significant increase in the total proven and probable ore reserve categories which at year end amounted to 1,036,479 tons of a diluted average grade of 0.27 ounce of gold per ton. This compares with proven and probable reserves at year end 1973 totalling 879,725 tons of a diluted average grade of 0.31 ounce of gold per ton. Therefore, there was a net increase in proven and probable ore reserves in 1974 of 156,754 tons after allowing for the milling of 194,702 tons during the year.

Estimates of possible or drill-indicated reserves have remained unchanged for several years. During 1974, extensive diamond drilling was carried out in the east end of the mine between these same levels — the 1500 and 750 — and due to the additional information from these holes, a conservative recalculation of ore reserves was made and some of the previously designated possible or indicated ore was not included in the 1974 year end reserves, which, taking in all categories, now total 2,583,600 tons of an average diluted grade of 0.29 ounce of gold per ton.

Reference is made to the appended longitudinal section of the gold mineralized zone and the related underground workings which appears on page 6 of this Annual Report. This longitudinal drawing graphically illustrates the enlarged tonnage of proven and probable ore in comparison with the stopes mined out during the year.

The drawing also depicts the large scale, long range underground program which is scheduled to commence in 1975 which will initially include an exploration drift on the 1800 level to enable diamond drilling at depth below this horizon and ultimately the continuation of this drift eastward into the adjoining Telbel property which, from information and projections, is indicated to contain a continuation of the main ore zone structure. The Telbel property is held by your Company's 97% owned subsidiary, Telbel Mines Limited.

A decline will also be driven from the 1500 level to the 1800 level to bring this area into production using the present shaft and

The map alongside shows the main 60-claim property and the adjoining 34-claim group held by the Company's subsidiary, Telbel Mines Limited. The longitudinal section appearing on page 6 is shown as a solid red bar. These two contiguous properties provide nearly three miles of strike length along the main gold bearing structure with the presently defined gold orebody located near the southeastern boundary of the main property.

During the main underground development program in the 1967-1970 period, development headings were advanced to within about 50 feet from the southeast boundary of the property. The adjacent property (Telbel) was acquired early in 1971 thereby providing the very important protection for the projected extension of the main ore structure into the adjoining property.

The presently scheduled 1800 east drift will have, as its ultimate major objective, the purpose of testing the indicated extension of this main structure into the Telbel portion of the Company's combined properties.



underground crushing facilities. In addition, a westward drift on the 600 level will be undertaken during the current year to develop and further explore the area of indicated ore at this horizon.

Major shaft deepening or an extended decline to provide access below the 1800 level is an important factor in the long range planning and diamond drill results from the exploration drift on the 1800 level will provide essential information in determining the alternate access choices to complete this future development program. The potential for substantial tonnage both below the 1800 level and along strike to the east into the Telbel property is considered very favourable.

With the large area of proven ore now developed in the west end of the mine between the 1500 and 750 levels, similar development between these same levels will continue in the central and east end of the mine.

METALLURGY

During 1974 considerable effort and expenditure have been made in resolving the main metallurgical problems to obtain the desired recovery of gold. The mill flow sheet was appreciably changed and a flotation circuit and regrind circuit were installed. These new installations, together with other modifications and refinements, have already produced very satisfactory results and with the further major addition of a 12,000 cubic foot roughing cell in the flotation circuit, which is scheduled for installation and commissioning in the fourth quarter of 1975, it is expected that recovery rates of 90% or more will be achieved.

Recoveries improved noticeably during 1974, averaging approximately 76% in the final three months of the year, and increasing to a current range around 80%. In addition to the further improvement in recovery rates, the introduction of the additional equipment scheduled for the fourth quarter of 1975 will materially increase the capability of producing a gold flotation concentrate of greatly reduced physical volume which can then be treated much more intensely to maximize recoveries. Concurrently, this will have the added benefit of appreciably increasing the capacity of the mill, enabling the treatment of 1200 tons daily.

The major portion of the expenditures for fixed assets which totalled \$1,576,086 in 1974 were in connection with the improvements to the mill. During 1975 a new extension to the mill building will be made to incorporate the 12,000 cubic foot roughing cell and incorporate this addition and other changes on a permanent and enlarged scale.

A schematic of the redesigned mill flow sheet which also incorporated the scheduled addition and rearrangement of the flotation section appears on page 16 of this Annual Report.

SILVER DIVISION

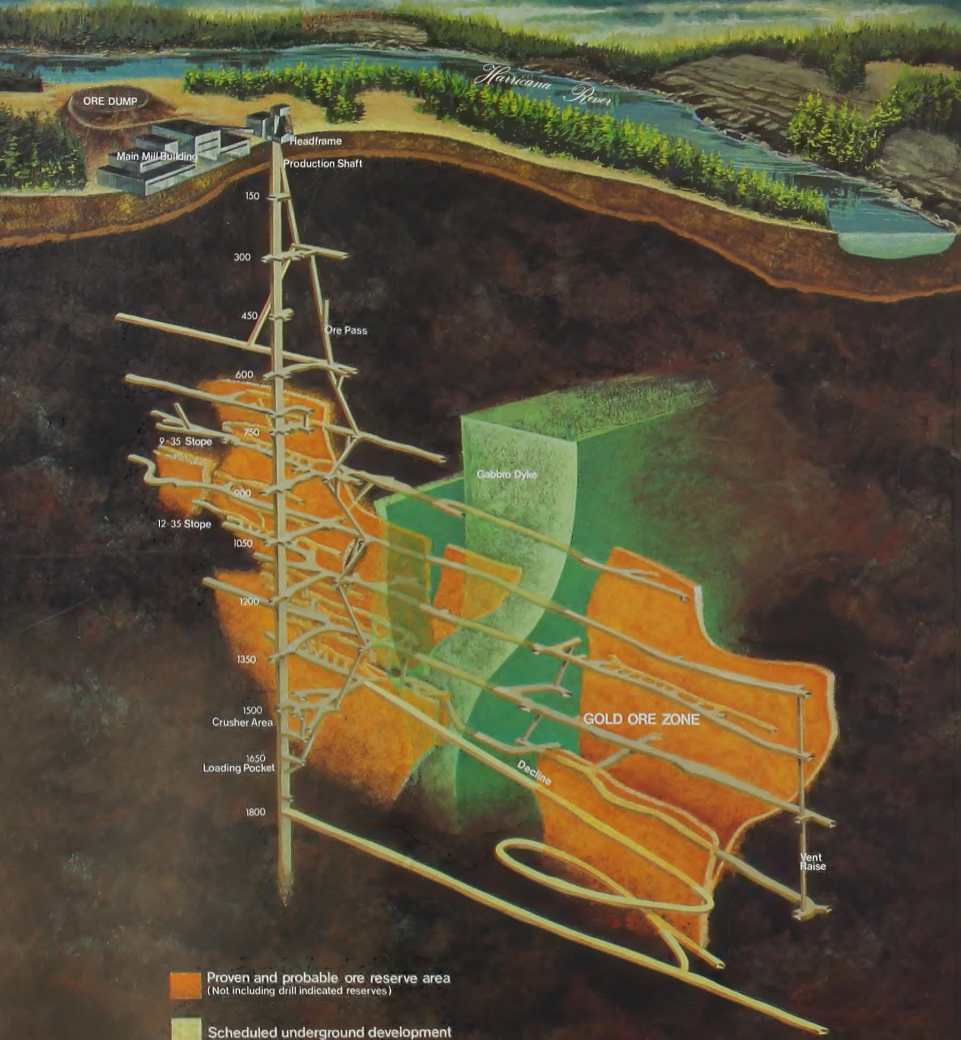
The record production of 1973 which included stockpiled and broken ore developed at the main Trout Lake production unit in 1972, the milling of which was deferred until 1973 owing to the then prevailing lower silver prices, was not duplicated in 1974. Partially offsetting the decreased production of 467,106 ounces of silver in 1974 versus the record 1,130,966 ounces recovered in the previous year, was the increase in the price of silver from an average of \$3.02 per ounce in 1973 to an average of \$4.37 in 1974.

The gross value of metals sold during 1974 totalling \$2,041,065 compares with \$3,416,440 realized in the previous year. Mine operating profit was also significantly lower, due to the higher tonnage treated, lower grade of ore and the related increased costs of production which also reflected the escalation of wages, services and supplies.

Cash flow from operations at the silver division in 1974 amounted to \$851,232 compared with \$1,992,741 in 1973. Both figures are before deductions for administrative expenses and non-cash write offs for depreciation and amortization.

The highlight of the year from the standpoint of the Silver Division was the acquisition of a 21-year lease on two contiguous mining claims in the Cobalt Camp held by the Ontario Government. These claims were acquired at a cost for a first year lease rental payment of \$252,000. In subsequent years, only nominal lease rental payments are required.

These claims include the former producing Coniagas and Trethewey mines which had a reported combined production of some 63 million



This is an artist's cut-away sketch of the underground workings at Agnico-Eagle's gold mine with the scheduled new underground development work plotted.

ounces of silver prior to the closure in the 1940's. The major portion of this silver recovery was obtained prior to 1924 when a combination of the sharp slump in silver prices and the fire in that year which destroyed the Coniagas mill and the main No. 2 production shaft. In the five months prior to the fire on May 30, 1924 the mine produced 573,555 ounces of silver. Subsequently, during a period from 1929 to 1943, various leaseholders worked the mine on an intermittent basis, apparently hand-picking a modest tonnage of high grade ore including pillars, recovering some 890,000 ounces.

It is reported that the remaining broken ore contains approximately 200,000 ounces of silver. Access to this property is through the Company's Nipissing # 73 Shaft located a few hundred feet to the east of the boundary. Cross-cuts from the 75 foot level and the 165 foot level have now entered the old workings and underground work is now in progress in preparation for the mining of broken ore. Exploration underground drilling is also in progress to check for the westward extension of a sulphide-silver zone with some intersections of ore grade material being made.

Operations at other properties in the Cobalt area are commented upon in greater detail in the Mine Manager's Report (Silver Division) which is appended. Also appended is an up-dated map showing the principal holdings and leased properties of the Company in the main Cobalt Silver Camp.

FINANCIAL

Principal expenditures during the year were substantially in connection with the Gold Division, amounting to \$1,576,086 for fixed assets and \$2,089,948 for mine development, or a total of \$3,666,034. The Company's consultants have determined that the Gold Division reached production efficiency as of October 1, 1974. All income derived from metal sales with respect to the Gold Division's tune-up period has been deducted from deferred expenditures and all revenue and expenses after that date have been included in income.

Cash flow from operations amounted to \$1,172,895, representing revenue and expenses with respect to the Silver Division for the full

year and for the Gold Division for only the fourth quarter. The comparable figure for the corresponding period last year was \$2,049,741 which was totally attributable to operations of the Silver Division. Consolidated net income in 1974 was \$197,826 equal to 1.4¢ per share compared with \$1,242,077 or 9.0¢ per share the previous year.

DIVIDEND POLICY

Your Company has reached the point where serious consideration can soon be given to dividend payments to shareholders. As we noted in the 1973 Annual Report, current liabilities at year end 1973 totalled \$3,870,516 (restated in the 1974 financial statements to \$3,845,446). Of this amount, \$2,513,622 represented interim financing in the form of short-term loans and advances from affiliated companies. Between the year end and the publishing of the Annual Report on May 10, 1974, your Company repaid its bank loan.

Outstanding short-term loans consisting of advances from affiliated companies at year end 1974 amounted to \$2,075,989. This has now been reduced to approximately \$1.4 million and with operations, particularly with respect to the Gold Division, now generating a substantial cash flow, the Company will concentrate on the elimination of such debt during the current year. This is emphasized to clearly express the fiscal policy of the Company.

In furtherance of this conservative fiscal policy, the Company proposes to finance, as much as possible, the costs relating to the further additions to the mill at the Gold Division and the scheduled underground program with its long term objective of deepening the mine workings, either by extending the main shaft by 1,000 feet or driving a decline to a similar depth, to further delineate the orebody and plan for future production and expansion.

The underlying fiscal policy is to eliminate any liabilities that have preference over shareholders to enable consideration at the earliest possible time to the payment of dividends to the shareholders. It is the opinion of your Company's management that dividend payments will be possible within the time schedule achieved by other gold producers throughout the world.

An analysis of the payouts of other gold mines brought into production in recent years shows that a period of two to three years from the commissioning of the mill and the start of commercial production to dividend payments is normal. Among the major South African producers, East Driefontein Gold Mining Company, Ltd., commissioned its mill and went into production in May, 1972. The first dividend payment was declared in December, 1973 and payment was made in February, 1974. Another recent South African producer, Elsberg Gold Mining Company, began milling tributed ore in December, 1968, completed its own shaft in late 1971 and declared its first dividend in December, 1973.

Here in Canada, Camflo Mines Limited began shipping ore on a regular basis June 1, 1965 and paid its first dividend in June, 1967. Campbell Red Lake, which began production in June, 1949, paid its first dividend in December, 1952. Dickenson Mines began production December, 1948 and paid its first dividend in February, 1954.

It is the opinion of your Company's management that an initial dividend payment will be possible within a reasonable time from the commencement of commercial production last October.

GENERAL

The price of gold during 1974 varied from a low of around \$110 at the beginning of the year to a high the following December of nearly \$200 per ounce, and an average for the entire year of approximately

\$162 per ounce. It is notable that during the first few months of 1975 gold prices have demonstrated a more consistent pattern, maintaining a range between \$160 and \$185. The consensus is that gold prices will climb later this year and possibly exceed the historic 1974 peak before the end of 1975 and likely result in an average price exceeding that of 1974 amounting to \$162 per ounce. For the longer term, the weight of opinion is that gold prices will continue its steady upward climb during 1976 and onward.

On behalf of the Board, I wish to express particular appreciation to all members of the Company and its consultants for their effective contribution to the Company's operating divisions. Their combined skills and efforts have undoubtedly played a significant role in the successful expansion of Company operations and its outlook for continued corporate success in the years ahead.

On behalf of the Board of Directors,

Paul Penna

President and Managing Director

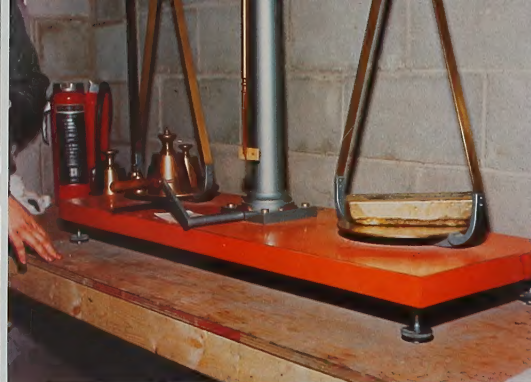
Toronto, Canada
May 9, 1975



This aerial view of Joutel Townsite, Quebec, shows the Company-owned staff housing complex at the top portion of the picture. This consists of 12 houses. Subsequent to the time when this picture was taken, the Company constructed a new apartment block of eight units, acquired two additional houses and a further 20-men unit. Including the two apartment blocks previously constructed by the Company

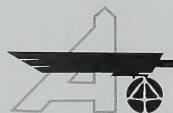
which are located at centre right in this picture, and the trailer accommodation already existing which is shown at the bottom of the picture, total accommodation is now sufficient for 98 men, plus 14 houses and 20 apartments. Consideration is now being given to the acquisition of an additional 20 apartments.

Shown alongside (left) is a gold bar being test-drilled to determine its purity, and (right) the bar is then weighed before shipping to the Royal Canadian Mint at Ottawa.



Gold Division
Casier Postal
P.O. Box 310
Joutel, Quebec J0Y 1N0

AGNICO-EAGLE
mines limited



REPORT OF THE MINE MANAGER (Gold Division)

The President and Directors,
Agnico-Eagle Mines Limited,
Suite 300, 365 Bay Street,
Toronto, Ontario M5H 2V1

April 4, 1975

Gentlemen:

I am pleased to submit the following report regarding operations at the Gold Division of Agnico-Eagle Mines Limited for the year ended December 31, 1974.

Summary

Commercial production efficiency was achieved as of October 1, 1974 and from that date to the end of the year a total of 67,999 tons of ore averaging approximately 0.250 ounce of gold per ton was treated in the mill to produce 12,723 ounces of gold and 4,229 ounces of silver.

Including non-operating periods, the average daily milling rate was 756 tons or slightly in excess of 75% of rated capacity.

While metallurgical recoveries are still below what is considered an attainable rate above 90%, averaging about 75.6% during the above mentioned period, this records a progressive improvement above the recoveries obtained in the tune-up period from January to September during which necessary modifications and additions were made to the treatment facilities.

Currently, recoveries in the order of 80% are being achieved and with the addition of a large new flotation cell which is scheduled for installation and commissioning during the fourth quarter of 1975, together with other changes in the circuit to improve filtration, it is expected that recoveries of around 90% or better will be realized.

There was a very substantial increase in underground development and stope preparation during the year and the mine is fully capable of delivering the required tonnage for the design rate of 1,000 tons per day or more.

A substantial tonnage of possible or drill-indicated ore was reclassified into proven and probable categories. After the treatment of 194,702 tons during the year, the total of proven and probable ore reserves showed a net increase of 104,790 tons.

A major underground development and exploration program has been scheduled for 1975 including an exploration drift on the bottom or 1800 level which will provide drill stations for drilling to depth and subsequently be extended to investigate the contiguous Teibel property which is indicated to contain a continuation of the main ore zone to the east.

Production 1974

The mill was in a tune-up stage from January to September inclusive, during which a total of 126,703 tons of ore averaging approximately 0.250 ounce of gold per ton was treated. There were frequent interruptions in operations during this period when necessary additions and modifications were made with respect to the treatment facilities. Tonnage throughput was maintained well below capacity during this period. Production during the tune-up stage amounted to 18,356 ounces of gold and 4,720 ounces of silver.

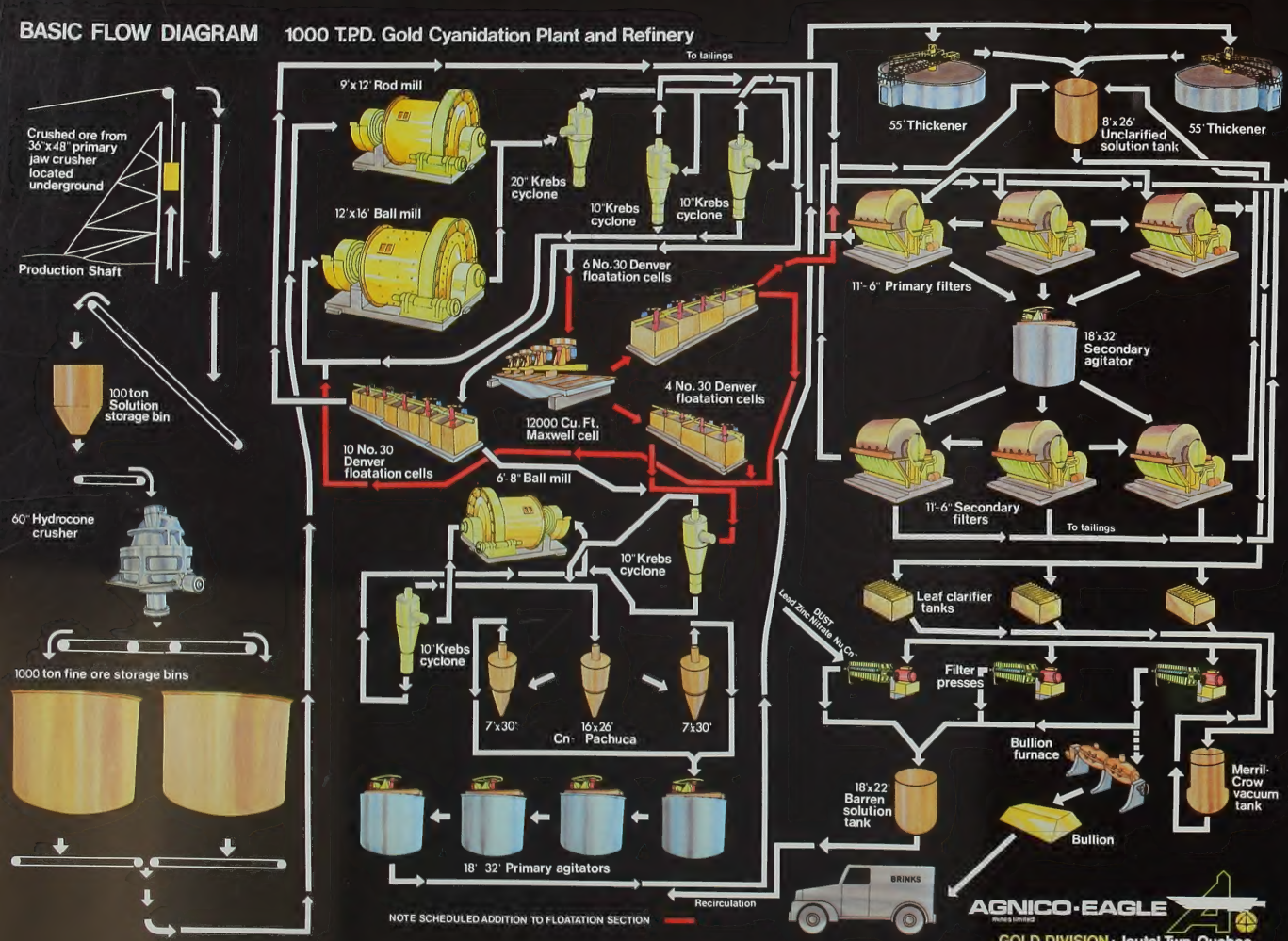
Including the fourth quarter when commercial production efficiency was achieved, a total of 194,702 tons were milled to produce 31,079 ounces of gold and 8,949 ounces of silver.

Capital expenditures during this period totalled \$1,576,086 most of which was attributable to the necessary changes and additions to the mill flow sheet.

Mill

While satisfactory progress has been made in resolving the principal metallurgical problems, further additions and modifications will be required to achieve the objective recovery rates. During the year, the mill flow sheet was changed and a flotation circuit was installed along with a regrind circuit. The results of these changes have adequately demonstrated that a solution to these problems can be realized and plans are being made to install a new extension to the mill to incorporate these changes on a permanent and enlarged scale.

BASIC FLOW DIAGRAM 1000 T.P.D. Gold Cyanidation Plant and Refinery



The newly designed flow sheet, incorporating the additional flotation and filtration facilities, is shown on page 16 of this Report. The major additions will be commissioned during the fourth quarter of 1975 at which time both recoveries and mill treatment rate will be significantly higher than those being obtained at present.

Underground Development

Development completed in 1974 was as follows:

Drifting, subdrifting, crosscutting	5,292 feet
Raising	2,564 feet
Slashing in ore	64,203 tons
Total tons broken (development and mining)	193,369 tons
Diamond drilling	15,100 feet
Long hole drilling	103,218 feet

All underground work was concentrated exclusively on ore development, mainly in the west end of the mine between the 1500 level and the 750 level. Diamond drilling in the east end of the mine between these same levels was also carried out during the year and due to the additional information from these holes, a conservative recalculation of ore reserves was made and some of the previously designated possible ore was not included in the 1974 year end reserves which were estimated as follows:

Category	Diluted Tonnage	Diluted Grade
Proven ore	588,226	0.26 oz/ton
Probable ore	448,253	0.29 oz/ton
Proven and probable — Total	1,036,479	0.27 oz/ton
Indicated ore	1,547,121	0.30 oz/ton
All categories — Total	2,583,600	0.29 oz/ton

Although total tonnage is lower than last year's, proven and probable categories are greater by nearly 18% despite the mining and treatment during the year of a total 194,702 tons. The latter figure includes ore from surface stockpiles. Grade, which has been factored for mining dilution and approximating the previous 15% allowance, remains unchanged.

With the forward development of a large block of proven tonnage in the west end of the mine between the 1500 and 750 levels, work will now be directed toward similar development both in the upper and lower areas of this horizon as well as to the east and west of the main block of proven tonnage. The progress in the underground development during 1974 and the subsequent period to date is graphically illustrated in the longitudinal section of the main mine area shown in relationship to the underground workings appearing on page 6 of this Annual Report.

An exploration drift for diamond drilling at depth on the bottom or 1800 level will start in April 1975 and drifting on the 600 level will follow shortly afterward. A long eastward drift is also scheduled on the 1800 level to investigate the Telbel property which is indicated to contain a continuation of the main ore zone. A decline will also be driven from the 1500 level to the 1800 level to bring this area into production using the present shaft and underground crushing facilities.

Shaft deepening or a decline from the 1800 level is an integral factor in the long range planning and diamond drill results from the 1800 level will provide the information needed to complete this long range future development. Meanwhile, ore development in the central and east end of the mine between the 750 level and the 1500 level will continue at the same pace as was carried on in the west end of the mine.

Townsite

Accommodation for staff and mine employees was expanded during the year. One new apartment block of eight units was constructed in 1974. This provides the Company with 14 houses and 20 apartments in the town of Joutel. Consideration is being given to the acquisition of an additional 20 apartments. This housing accommodation is helping the Company in the stabilization of its work force and improving efficiency and safety at the mine operation level.

The Company also installed one additional 20-man unit for single men in the town of Joutel. This enables the Company to provide accommodation and meal facilities for 98 men. Present work force is approximately 145.

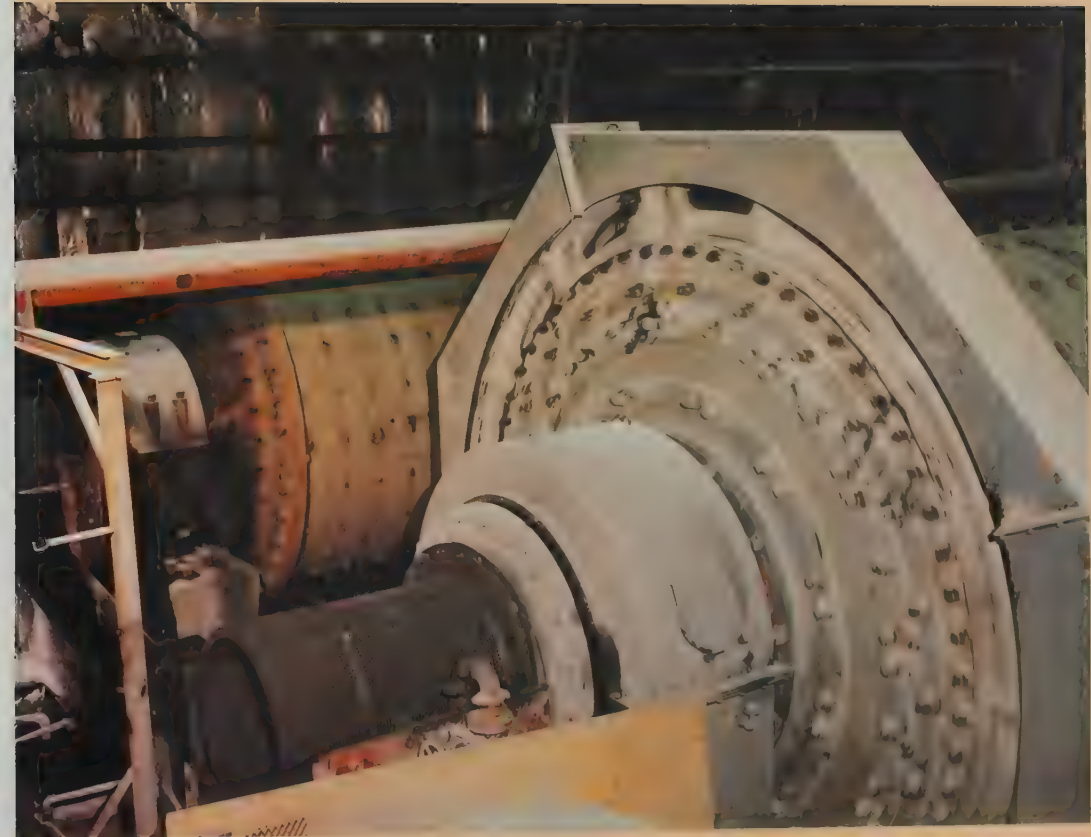
General

A two-year contract extending to January, 1977 was signed with the United Steelworkers of America, the bargaining unit for the employees. The contract covers all employees at the Company's gold division mining and milling operations and ensures satisfactory labor-management relations during the term of the contract. The gold division of Agnico-Eagle is one of few mining producers with a full complement of mining employees and this is considered the result of efforts to effect terms of employment which are equitable to all parties.

I would like to take this opportunity to thank all employees and staff for their loyal and efficient work during the past year. The first quarter of 1975 has been our best to date and further improvements in operations can be anticipated as the year progresses.

Respectfully submitted,

Donald J. LaRonde, B.Sc., P.Eng.
Mine Manager



Some of the grinding units in the Agnico-Eagle Gold Division mill.

Silver Division
P.O. Box 140
Cobalt, Ontario P0J 1C0

AGNICO EAGLE
mines limited



April 10, 1975.

**REPORT
OF THE
MINE MANAGER
(Silver Division)**

The President and Directors,
Agnico-Eagle Mines Limited,
Suite 300 — 365 Bay Street,
TORONTO, Ontario. M5H 2V1.

Gentlemen:

I am pleased to submit the following report covering operations at the Silver Division of Agnico-Eagle Mines Limited for the year ended December 31, 1974.

Production

The main source of production was from Trout Lake #3 Shaft which produced 416,399 ounces from 9,941 tons of ore. A supplementary feed was derived from low grade tailings and rock dumps on surface which produced 50,706 ounces from 28,777 tons. The combined production amounted to 467,106 ounces during milling operations from May to October.

The following is a summary of the main production items:

Ounces silver produced	467,106.47
Pounds cobalt produced	60.073
Gross value of metals sold	\$2,041,065.51
Gross value per ounce of contained silver	\$4.37
Total tons milled from company properties	38,718
Total tons hoisted	14,175
Calculated head ounces silver/ton	12.78
Recovery ounces silver/ton	12.06
Extraction efficiency	94.37%

Exploration and Development

Trout Lake #3 Shaft — Development drifting and crosscutting advanced a total of 3,055 feet during the year.

Much of this work was carried out in the west end of the mine to develop the #11 vein on the 7th, 8th and 9th levels where a rich ore zone was mined.

On the 5th level, a heading was driven east and extended 460 feet into the company's adjoining Curry property where previous surface diamond drilling had indicated the presence of mineralized vein structures. Diamond drill stations were established in this heading to provide a base for an exploration drilling program.

There was a total of 25,034 feet of exploration diamond drilling carried out during the year. Drilling results were moderately successful in intersecting veins but in most cases silver values were below ore grade. The drilling program continues to probe unexplored areas.

Stoping operations have been limited to small irregular ore zones which sometimes contain pockets of highgrade silver. This is characteristic of the ore deposition in this area.

Frontier Mine — the exploration program was terminated in February after thoroughly exploring both the upper and lower contact of the Nipissing Diabase Sill. All equipment was salvaged from the underground workings.

Coniagas Mine — This property consists of two contiguous claims acquired by lease from the Ontario Government and are located just west of our Nipissing #73 Shaft in the Cobalt Camp. These claims were the former producing Coniagas and Trethewey mines which shut down in 1924 when the Coniagas Mill was destroyed by fire and there was a sharp decline in the price of silver.

After the mine closed, leasors removed some highgrade ore contained in pillars near the surface. It is reported that the remaining broken ore contains approximately 200,000 ounces of silver.

The only means of access to these old workings is through our Nipissing #73 Shaft located a few hundred feet to the east of the boundary. The surface plant consisting of an air hoist, headframe, mine cage and two buildings were rehabilitated in June and pumping started in July.

In order to gain access to the old workings, crosscuts were driven west from the closest headings on the Nipissing property on both the 75 foot level and the 165 foot level. The crosscut on the 75 foot level has intersected four veins containing silver values which will be developed after the heading has reached its objective at the west end of the property. The crosscut on the 165 foot level intersected a zone containing disseminated chalcopyrite and silver which has been developed over a length of 130 feet in Keewatin rock types.

A limited amount of diamond drilling was done from surface to check for branch veins in the pillars of old stopes.

Temiskaming Mine — This exploration project has had to be deferred for the present time due to a shortage of experienced miners in the area. The workings are being kept pumped so that work can be started when development crews are available from current operations.

The following is a tabulation of this exploration and development:

	1974 Footage	Unit Cost	1973 Footage	Unit Cost
Crosscutting & Drifting	4,447.5	\$80.48	2,184.9	\$63.14
Raising	1,376.5	57.57	809	32.64
U/G Diamond Drilling	27,356	7.18	41,857	6.71

General

Concentrate Treatment — Noranda Mines Limited have processed our low grade flotation concentrate for the past twenty-five years under satisfactory terms. In October, our shipping privileges were terminated due to environmental problems at their Smelter caused by the high arsenic content of the concentrate. Other means of processing are being investigated.

Highgrade concentrates are shipped to American Smelting and Refining Company, U.S.A., under satisfactory terms.

In conclusion, I wish to extend my appreciation to the Board of Directors, staff and employees for their cooperation and assistance throughout the year.

Respectfully submitted,

G. W. Kirk, P. Eng.,
Manager.

CONSOLIDATED BALANCE SHEET
as at December 31, 1974



Assets	1974	1973
CURRENT		
Cash	\$ 44,250	\$ —
Accounts receivable	24,915	22,492
Smelter settlements receivable	478,289	2,033,085
Supplies, at average cost	459,993	75,898
Prepaid expenses and deposits	128,771	25,761
	<u>1,136,218</u>	<u>2,157,236</u>
FIXED (Note 2)	<u>7,270,372</u>	<u>6,170,793</u>
MINING CLAIMS AND PROPERTIES (Note 3)	<u>722,426</u>	<u>446,326</u>
DEFERRED EXPENDITURES (Note 1)		
Silver Division	942,950	622,278
Gold Division	<u>6,306,216</u>	<u>7,260,094</u>
	<u>7,249,166</u>	<u>7,882,372</u>
OTHER		
Shares of unlisted companies, at nominal value	3	3
Amalgamation expenses, at cost	<u>82,879</u>	<u>82,879</u>
	<u>82,882</u>	<u>82,882</u>
	<u>\$16,461,064</u>	<u>\$16,739,609</u>

The accompanying notes form an integral part of these financial statements.
To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated February 28, 1975.

Liabilities and Shareholders' Equity	1974	1973
CURRENT LIABILITIES		
Bank Indebtedness	\$ —	\$ 1,812,650
Accounts payable and accrued charges	1,191,122	1,155,824
Estimated mining taxes payable	111,864	175,000
Advances from affiliated companies — 10%	<u>2,075,989</u>	<u>701,972</u>
	<u>3,378,975</u>	<u>3,845,446</u>
MINORITY INTEREST IN SUBSIDIARY	<u>5,100</u>	<u>15,000</u>
Shareholders' Equity		
CAPITAL (Note 4)		
Authorized		
20,000,000 shares without par value		
Issued and Fully Paid		
13,861,827 Shares	12,947,145	12,947,145
RETAINED EARNINGS (DEFICIT)	<u>129,844</u>	<u>(67,982)</u>
	<u>13,076,989</u>	<u>12,879,163</u>
	<u>\$16,461,064</u>	<u>\$16,739,609</u>

Approved on Behalf of the Board of Directors:

Paul Penna, Director
Archie Basen, Director

Auditors' Report

TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Agnico-Eagle Mines Limited and its subsidiary as at December 31, 1974 and the consolidated statements of retained earnings, income, deferred expenditures — Gold Division and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Starkman, Kraft, Rothman, Berger & Grill,
Chartered Accountants.

Toronto, Ontario,
February 28, 1975.

Consolidated Statement of Retained Earnings

For the year ended
December 31, 1974

Consolidated Statement of Income

For the year ended
December 31, 1974

	1974	1973
Deficit — beginning of year	\$ (67,982)	\$(1,315,029)
Less: Net income for year	197,826	1,242,077
Unclaimed dividends written off	—	4,970
	<u>197,826</u>	<u>1,247,047</u>
Retained Earnings (Deficit) — end of year	\$ 129,844	\$ (67,982)

The accompanying notes form an integral part of these financial statements.

	1974	1973
Revenue	(Note 1)	
Production of metals	<u>\$3,843,316</u>	<u>\$3,416,440</u>
Less: Marketing	84,313	192,538
Royalties	175,050	301,161
	<u>259,363</u>	<u>493,699</u>
	<u>3,583,953</u>	<u>2,922,741</u>

Expenses		
Mining	1,278,192	560,569
Milling	648,855	127,431
Administration	450,195	118,800
Transportation of mill ore	96,227	96,530
Provision for mining taxes	5,000	175,000
	<u>2,478,469</u>	<u>1,078,330</u>
Less: Sundry income	67,411	30,330
	<u>2,411,058</u>	<u>1,048,000</u>

Income Before Undernoted Items	1,172,895	1,874,741
Amortization of deferred expenditures	437,169	555,549
Depreciation of buildings, machinery and equipment	537,900	77,115
	<u>975,069</u>	<u>632,664</u>

Income Before Taxes (Note 5)	197,826	1,242,077
Provision for income taxes	98,913	—

Income Before Extraordinary Item	<u>98,913</u>	<u>1,242,077</u>
Utilization of prior years' unrecorded deferred tax benefit (Note 6)	98,913	—

Net Income for the year	\$ 197,826	\$1,242,077
--------------------------------------	------------	-------------

Earnings Per Share Before Extraordinary Item	<u>.7c</u>	<u>9.0c</u>
---	------------	-------------

Earnings Per Share	<u>1.4c</u>	<u>9.0c</u>
---------------------------------	-------------	-------------

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Deferred Expenditures

GOLD DIVISION
For the year ended
December 31, 1974

	1974	1973
Deferred Expenditures — beginning of year	(Note 1) \$7,260,094	\$5,498,853
Development expenditures	2,089,948	1,073,446
Administration expenditures	646,142	363,552
Financing expenditures	4,784	324,243
	<u>10,000,968</u>	<u>7,260,094</u>
Less: Income from metal sales	3,281,255	—
Amortization of deferred expenditures	413,497	—
	<u>3,694,752</u>	<u>—</u>
Deferred Expenditures — end of year	\$6,306,216	\$7,260,094

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

For the year ended
December 31, 1974

	1974	1973
Sources of Working Capital From Operations		
Net income for year	\$ 197,826	\$ 1,242,077
Add: Items which do not require a current outlay of working capital		
— Depreciation	537,900	77,115
— Amortization of deferred expenditures	437,169	555,549
	<u>1,172,895</u>	<u>1,974,741</u>
Unclaimed dividends	—	4,970
	<u>1,172,895</u>	<u>1,879,711</u>

Applications of Working Capital		
Deferred expenditures — Gold Division (net of metal sales)	(540,381)	1,761,241
Deferred expenditures — Silver Division	344,344	294,661
Buildings, machinery and equipment (net)	1,637,479	1,583,030
Acquisition (disposal) of mining claims and properties	276,100	(18,902)
Decrease in minority interest	9,900	—
Amalgamation expenses	—	2,373
	<u>1,727,442</u>	<u>3,622,403</u>

Decrease in Working Capital	554,547	1,742,692
Working Capital (Deficiency) — beginning of year	(1,688,210)	54,482
Working Capital Deficiency — end of year	<u>\$(2,242,757)</u>	<u>\$(1,688,210)</u>

The accompanying notes form an integral part of these financial statements.



Notes to Consolidated Financial Statements

December 31, 1974



1. Summary of Accounting Policies

Accounting for Subsidiaries

These financial statements include the accounts of the company's 97% owned subsidiary Telbel Mines Limited. The 1973 figures have been restated to conform to this presentation. The investment in the company's dormant wholly-owned subsidiaries is carried at nominal value.

Revenue Recognition

The policy of the company is to recognize revenue after the ore has been milled. The corporation's consultants have determined that the Gold Division reached production efficiency as of October 1, 1974. All income derived from metal sales before that date has been deducted from deferred expenditures. All revenue and expenses after that date have been included in income.

Deferred Expenditures and Amortization

The amounts shown for deferred expenditures represent costs to date less amounts written off and are not intended to reflect present or future values. Exploration costs related to unknown or unproven ore bodies are deferred until such time as production occurs. Amortization of deferred expenditures is calculated on a units of production basis based on the ore reserves of each mine.

Depreciation

The Gold Division records depreciation on a units of production basis based on the ore reserves of the mine. The Silver Division records depreciation on a 30% declining balance basis due to the erratic nature of the ore bodies.

Administration Expenses

Head Office administration expenses are allocated 75% to the Gold Division and 25% to the Silver Division.

Inventories

Supplies are valued at average cost. Broken ore on surface is not valued; the related costs are written off to operations as incurred. Metals on hand are valued at estimated realizable value.

Smelter Settlements

Smelter settlements receivable are estimates of the final amount to be received. Estimates are set up immediately upon shipment.

Plant and Equipment Additions and Repairs

Repairs and maintenance are charged to operations or deferred expenditures while additions, replacements or improvements to existing plant and equipment are capitalized.

2. Fixed Assets

The fixed assets balance by division is as follows:

	1974	1973
Silver Division		
Buildings, machinery and equipment, at cost	\$2,554,437	\$2,500,944
Less: Accumulated depreciation	2,379,508	2,315,010
	<u>174,929</u>	<u>185,934</u>
Gold Division		
Buildings, machinery and equipment, at cost	7,560,945	5,984,859
Less: Accumulated depreciation	465,502	—
	<u>7,095,443</u>	<u>5,984,859</u>
	<u>\$7,270,372</u>	<u>\$6,170,793</u>

3. Mining Claims and Properties

The company owns approximately 97% of the outstanding capital stock of Telbel Mines Limited. The chief assets of Telbel

Mines Limited are mining development licences on 34 claims adjacent to the company's Gold Division mining property. During the year the company was the successful bidder on two mining leases in the Cobalt Area formerly known as the Coniagas and Trethewey mines for a first year lease rental payment of \$252,000 which has been included in mining claims and properties. In subsequent years only nominal lease rental payments are required.

4. Capital

During the year the company allotted 200,000 shares for a stock option for its President at \$7.45 per share until August 15, 1984. No part of the option has been exercised to date.

5. Income Taxes

For income tax purposes the company may claim certain expenses in amounts which may differ from the related provisions claimed for accounting purposes. The resulting timing differences give rise to deferred income taxes which are normally reflected in the accounts. In prior years the company has claimed accounting depreciation in excess of the related capital cost allowance claimed for tax purposes. The resulting tax saving applicable to future years was not reflected in the accounts because of the uncertainty of its recovery. The tax reduction for 1974 attributable to these unrecorded tax savings amounted to \$98,913 (see Extraordinary Item).

In addition to unused deductions for exploration, development, administration and capital cost allowance which may be claimed at varying rates for tax purposes against future profits of the company, the company may also write off against mining profits a portion of its earned depletion base. The depletion base is presently accumulated at the rate of \$1 for every \$3 spent in eligible expenditures and is deducted at the rate of \$1 for every \$4 earned in mining profits. As at December 31, 1974 the company had approximately \$5,000,000 in unused deductions resulting from timing

differences and approximately \$3,000,000 in its earned depletion base.

6. Extraordinary Item

The extraordinary credit results from the partial realization of the tax benefit from claiming for tax purposes capital cost allowances on the company's fixed assets for which depreciation was previously recorded for accounting purposes and no related deferred income tax debits reflected in the accounts.

7. Commitments

During the year the company entered into a management contract with its President for \$125,000 per year while he is associated with the company and \$62,500 per year for five years subsequent to the termination of his employment contract.

8. Other Statutory Information

Aggregate direct remuneration of directors and senior officers as defined by the Business Corporations Act amounted to \$194,844 for the year ended December 31, 1974.

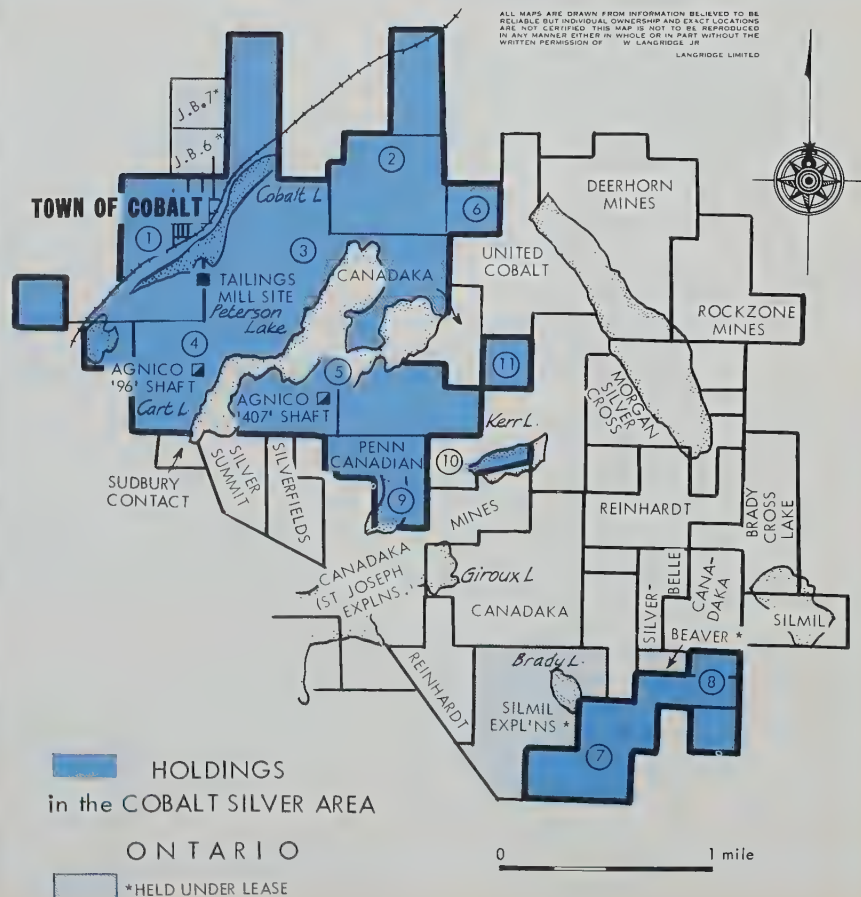
9. Subsequent Event

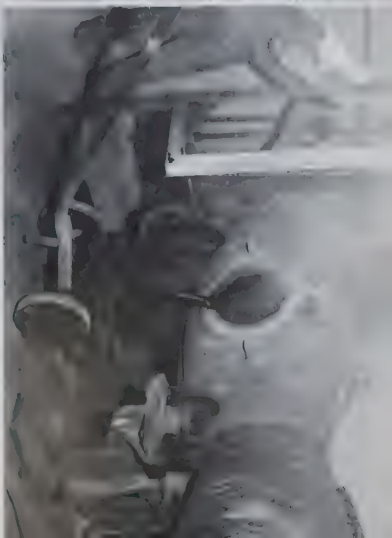
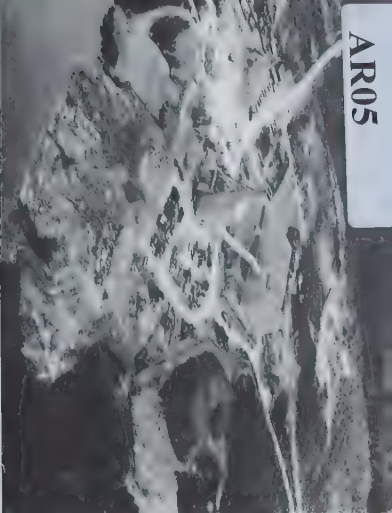
The company has entered into a pension plan for all of its salaried employees. According to the terms of the plan there are past service funding requirements amounting to approximately \$200,000 which will be amortized with interest over a 15 year period.

10. Certain 1973 figures have been re-classified to conform with the presentation adopted for 1974.

LEGEND

No.	GROUP	CLAIM OR PROPERTY NAME
1.	COBALT LAKE GROUP	Buffalo Townsite City of Cobalt Right-of-way, N. & S McKinley Darragh Cobalt Lake
2.	O'BRIEN GROUP	O'Brien Main Nip. 402 (North)
3.	NIPISSING MAIN GROUP	
4.	CART LAKE GROUP	Nip. 406 Kendall Little Silver
5.	NIPISSING 407 GROUP	Nip. 407 Nip. 408 Penn Canadian Michigan Cobalt
6.	NIPISSING EAST GROUP	Nipissing East Claims O'Brien East Claims Colonial
7.	LODE-CHRISTOPHER GR.	Adanac Columbus
8.	BEAVER TEMISKAMING GR.	Temiskaming Gifford Quaker City
9.	FOSTER	Mill Site
10.	CROWN RESERVE	
11.	FARAH	
12.	AGAUNICO GROUP (not shown on map)	Agaunico Ruethel
13.	DOTSEE "	Yorkshire Cobalt
14.	GILGREER "	Canadian Lorraine
15.	KEYLODE "	Currie Wettlauffer





Clockwise from upper left: Aerial view of surface plant at the Joubert gold mine of Agnico-Eagle Mines Limited; Pouring gold bar in the Agnico-Eagle refinery; Some of the grinding units in the mill; Scooptram mucking ore from the slope area.

AGNICO-EAGLE
mines limited



SEMI-ANNUAL REPORT
for the Period Ended June 30, 1974

OFFICERS

PAUL PENNA, President and Managing Director
MIKEY DRUTZ, Secretary-Treasurer

DIRECTORS

ARCHIE BASEN, Executive, American Louver of Canada Limited
ALLEN BINSTOCK, Real Estate Agent, Ernest Goodman Limited
IRVING DOBBS, Insurance Executive
GORDON W. KIRK, P.Eng., Mining Engineer
MILTON KLYMAN, Broker-Dealer, M. Greene & Associates Limited
PAUL PENNA, Executive, Jakmin Investments Limited

MINE STAFF — SILVER DIVISION

Mine Manager, Gordon W. Kirk, P.Eng.
Chief Geologist and Engineer, Brian Thorniley, B.Sc., M.Sc., P.Eng.
Mine Superintendent, Armand R. Cote, P.Eng.
Mill Superintendent, Gordon W. Wilson, P.Eng.
Chief Accountant, Herbert O. Johnson

MINE STAFF — GOLD DIVISION

Mine Manager, Donald J. LaRonde, B.Sc., P.Eng.
Chief Geologist and Engineer, Anton Adamcik, B.Sc.
Underground Superintendent, Ronald Daigle
Mill Superintendent, Karol Mikulash, P.Eng.
Mechanical Superintendent, Amy Dupas
Master Mechanic, Earl Langdon
Chief Electrician, Lionel Roberge
Construction Superintendent, George Gervais
Office Manager, Gerry Rodrigue

CONSULTING GEOLOGIST

W. A. Hubacheck, B.Sc., P.Eng.

EXECUTIVE AND HEAD OFFICE

Suite 300, 365 Bay Street,
Toronto, Ontario, Canada M5H 2V1

MINE OFFICE (Silver Division)

P.O. Box 140, Cobalt, Ontario P0J 1C0

MINE OFFICE (Gold Division)

P.O. Box 310, Joutel, Quebec J0Y 1N0

AGNICO-EAGLE
mines limited



AUDITORS

Starkman, Kraft, Rothman, Berger & Grill,
Chartered Accountants, Willowdale, Ontario

SOLICITORS

Shibley, Righton & McCutcheon,
Toronto, Ontario

BANKERS

The Toronto-Dominion Bank,
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada
88 University Avenue, Toronto, Ontario
427 St. James Street West, Montreal, Quebec

SHARE LISTINGS

The Toronto Stock Exchange, Toronto, Canada
Montreal Stock Exchange, Montreal, Canada
Ticker Symbol "AGE"
O.T.C. in United States of America
NASDAQ Symbol "AEAGF"

AGNICO-EAGLE MINES LIMITED

Suite 300, 365 Bay Street
Toronto, Canada M5H 2V1

To the Shareholders:

The Directors present the unaudited financial statements of the Company for the six months ended June 30, 1974 with comparative figures for the corresponding period in 1973, as well as a review of significant events since the publication of the Annual Report under date of May 10, 1974.

SILVER DIVISION

As stated in 1973 Annual Report, initial mill feed scheduled for treatment during the seasonal operation of the Penn Mill would consist of low grade material from tailings and surface dumps. Operation of the Penn Mill commenced on May 13th and in the ensuing period to June 30th a total of 11,365 tons of low grade material was treated from which a total of 15,781 ounces of silver was produced.

The appreciable decrease in revenue for this period as compared with that for the corresponding period in 1973 is, of course, due to the low silver content of the mill feed from surface dumps and tailings which in this period averaged less than 2.0 ounces silver per ton, and the attendant lower metallurgical recoveries for this type of material. Subsequent to this period mill feed was augmented with conventional mine ore from the Trout Lake Mine and during the month of July a total of 6,450 tons was treated and 206,708 ounces of silver recovered. The gross value of July production amounted to \$817,615.

Owing to the seasonal scheduling of milling operations, usually a five to six month period ending in October, the bulk of production revenue is reflected in the financial results for the second half of the year.

During June, your Company successfully tendered for a 21-year lease on two contiguous mining claims in the Cobalt Camp held by the Ontario Government. These claims which were acquired at a cost of \$252,876, include the former producing Coniagas and Trethewey mines which had a reported combined production of some 63 million ounces of silver prior to closure in the 1940's.

The major portion of this silver recovery was obtained prior to 1924 when a combination of the sharp slump in silver prices and the fire in that year which destroyed the Coniagas concentrator and the main No. 2 production shaft resulted in a close down of regular mining operations. During the period of main production from 1905 to 1924, a total of some 33 million ounces of silver was recovered from the Coniagas Mine. In the five months prior to the fire on May 30, 1924 the mine produced 573,555 ounces of silver. Subsequently, during a period from 1929 to 1943, various leaseholders worked the mine on an intermittent basis, apparently hand-picking a modest tonnage of high grade ore including pillars, recovering some 890,000 ounces.

It is presumed that the major portion of the broken reserves reported at the end of 1924 containing an estimated 200,000 ounces plus an indeterminable quantity of milling ore in place, is probably intact. Access to the Coniagas Mine is available from your Company's Nipissing #73 Shaft some 400 feet away. This shaft is operable and equipped with a headframe, mine cage and air hoist. Preparations are now under way to drive a crosscut from the #73 Shaft to the Coniagas property.

Experience gained in the past has been an important criteria for pos a view to mining wall roc Trethewey claims may pr

GOLD DIVISION

Operations at the mill are being maintained at an a tons, pending the installa the desired metallurgical for finer grinding.

As the mill was in operation, income from bullion sale represents gold b quantity of gold is retain made during the period \$504,968 and similarly treatment and recovery.

Very satisfactory results have been achieved to achieve optimum reco equipment is installed an and initial results are co to achieve the necessary with delivery scheduled fo the finer material from t

With these additions, production laterally in 1974 which annual production targe early 1975.

Underground development of blasthole stopes are now well as a number of shr expectations and the min

In keeping with p employees, the Company

GENERAL

Your Board is pleased to announce that effective July 3, 1974. T asset for the Board. T ownership in the subsci approximate 96%.

August 30, 1974

AGNICO-EAGLE MINES LIMITED

Suite 300, 365 Bay Street
Toronto, Canada M5H 2V1

To the Shareholders:

The Directors present the unaudited financial statements of the Company for the six months ended June 30, 1974 with comparative figures for the corresponding period in 1973, as well as a review of significant events since the publication of the Annual Report under date of May 10, 1974.

SILVER DIVISION

As stated in 1973 Annual Report, initial mill feed scheduled for treatment during the seasonal operation of the Penn Mill would consist of low grade material from tailings and surface dumps. Operation of the Penn Mill commenced on May 13th and in the ensuing period to June 30th a total of 11,365 tons of low grade material was treated from which a total of 15,781 ounces of silver was produced.

The appreciable decrease in revenue for this period as compared with that for the corresponding period in 1973 is, of course, due to the low silver content of the mill feed from surface dumps and tailings which in this period averaged less than 2.0 ounces silver per ton, and the attendant lower metallurgical recoveries for this type of material. Subsequent to this period mill feed was augmented with conventional mine ore from the Trout Lake Mine and during the month of July a total of 6,450 tons was treated and 206,708 ounces of silver recovered. The gross value of July production amounted to \$817,615.

Owing to the seasonal scheduling of milling operations, usually a five to six month period ending in October, the bulk of production revenue is reflected in the financial results for the second half of the year.

During June, your Company successfully tendered for a 21-year lease on two contiguous mining claims in the Cobalt Camp held by the Ontario Government. These claims which were acquired at a cost of \$252,876, include the former producing Coniagas and Trethewey mines which had a reported combined production of some 63 million ounces of silver prior to closure in the 1940's.

The major portion of this silver recovery was obtained prior to 1924 when a combination of the sharp slump in silver prices and the fire in that year which destroyed the Coniagas concentrator and the main No. 2 production shaft resulted in a close down of regular mining operations. During the period of main production from 1905 to 1924, a total of some 33 million ounces of silver was recovered from the Coniagas Mine. In the five months prior to the fire on May 30, 1924 the mine produced 573,555 ounces of silver. Subsequently, during a period from 1929 to 1943, various leaseholders worked the mine on an intermittent basis, apparently hand-picking a modest tonnage of high grade ore including pillars, recovering some 890,000 ounces.

It is presumed that the major portion of the broken reserves reported at the end of 1924 containing an estimated 200,000 ounces plus an indeterminable quantity of milling ore in place, is probably intact. Access to the Coniagas Mine is available from your Company's Nipissing #73 Shaft some 400 feet away. This shaft is operable and equipped with a headframe, mine cage and air hoist. Preparations are now under way to drive a crosscut from the #73 Shaft to the Coniagas property.

Experience gained in recovery of ore from the Coniagas-Trethewey mines would provide important criteria for possible future development of other nearby Company-held properties with a view to mining wall rock between closely associated veins. It is anticipated that the Coniagas-Trethewey claims may provide mill feed during 1974 or 1975.

GOLD DIVISION

Operations at the Joutel gold mine are still in the 'tune-up' stage with tonnage throughput being maintained at an average of around 600 tons daily, well below the capacity rate of 1,000 tons, pending the installation and commissioning of additional mechanical equipment to achieve the desired metallurgical recoveries. The main deterrent to full production is the requirement for finer grinding.

As the mill was in a preproduction 'tune-up' phase during the period ended June 30, 1974 income from bullion sales totalling \$1,652,772 has been credited to deferred expenses. This income represents gold brick shipments containing 8,866 ounces while an appreciable additional quantity of gold is retained in coarse solids for future recovery. Further bullion shipments were made during the period from July 1st to August 28th totalling 3,475 ounces with a value of \$504,968 and similarly there is additional quantities of gold in coarse solids pending further treatment and recovery.

Very satisfactory progress has been made in resolving the principal metallurgical problems to achieve optimum recovery rates which should be realized when the essential added mechanical equipment is installed and operational. The flotation circuit has recently commenced operation and initial results are considered very satisfactory. Currently, a regrind mill is being installed to achieve the necessary finer grinding for improved recoveries and a tertiary crusher is on order with delivery scheduled for later this year. Clarification capacity is also being increased to handle the finer material from the circuit.

With these additions it is anticipated that treatment rates will be increased to capacity laterally in 1974 which will very appreciably improve the prospects for achieving the projected annual production target rate of around 100,000 ounces during the final quarter of 1974 or early 1975.

Underground development and stope preparation has progressed very well and three blasthole stopes are now in production. A fourth blasthole stope is presently being developed as well as a number of shrinkage stopes. Mining conditions and ore grade are fully in line with expectations and the mine is readily capable of supplying mill feed at the full rate of production.

In keeping with projected capacity operations and the attendant requirement for additional employees, the Company is constructing a new apartment block in Joutel.

GENERAL

Your Board is pleased to announce the appointment of Mr. Gordon W. Kirk as a Director effective July 3, 1974. Mr. Kirk's lengthy experience in many phases of mining will be a valuable asset for the Board. The Company is also pleased to report that it has increased its share ownership in the subsidiary, Telbel Mines Limited, from approximately 90% to a present approximate 96%.

On behalf of the Board of Directors,

"PAUL PENNA"
President and Managing Director

August 30, 1974

OFFICERS

PAUL PENNA, President and Managing Director
MIKEY DRUTZ, Secretary-Treasurer

DIRECTORS

ARCHIE BASEN, Executive, American Louver of Canada Limited
ALLEN BINSTOCK, Real Estate Agent, Ernest Goodman Limited
IRVING DOBBS, Insurance Executive
GORDON W. KIRK, P.Eng., Mining Engineer
MILTON KLYMAN, Broker-Dealer, M. Greene & Associates Limited
PAUL PENNA, Executive, Jakmin Investments Limited

MINE STAFF — SILVER DIVISION

Mine Manager, Gordon W. Kirk, P.Eng.
Chief Geologist and Engineer, Brian Thorniley, B.Sc., M.Sc., P.Eng.
Mine Superintendent, Armand R. Cote, P.Eng.
Mill Superintendent, Gordon W. Wilson, P.Eng.
Chief Accountant, Herbert O. Johnson

MINE STAFF — GOLD DIVISION

Mine Manager, Donald J. LaRonde, B.Sc., P.Eng.
Chief Geologist and Engineer, Anton Adamcik, B.Sc.
Underground Superintendent, Ronald Daigle
Mill Superintendent, Karol Mikulash, P.Eng.
Mechanical Superintendent, Amy Dupas
Master Mechanic, Earl Langdon
Chief Electrician, Lionel Roberge
Construction Superintendent, George Gervais
Office Manager, Gerry Rodrigue

CONSULTING GEOLOGIST

W. A. Hubacheck, B.Sc., P.Eng.

EXECUTIVE AND HEAD OFFICE

Suite 300, 365 Bay Street,
Toronto, Ontario, Canada M5H 2V1

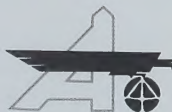
MINE OFFICE (Silver Division)

P.O. Box 140, Cobalt, Ontario P0J 1C0

MINE OFFICE (Gold Division)

P.O. Box 310, Joutel, Quebec J0Y 1N0

AGNICO-EAGLE
mines limited



AUDITORS

Starkman, Kraft, Rothman, Berger & Grill,
Chartered Accountants, Willowdale, Ontario

SOLICITORS

Shibley, Righton & McCutcheon,
Toronto, Ontario

BANKERS

The Toronto-Dominion Bank,
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada
88 University Avenue, Toronto, Ontario
427 St. James Street West, Montreal, Quebec

SHARE LISTINGS

The Toronto Stock Exchange, Toronto, Canada
Montreal Stock Exchange, Montreal, Canada
Ticker Symbol "AGE"
O.T.C. in United States of America
NASDAQ Symbol "AEAGF"

AGNICO-EAGLE MINES LIMITED

INTERIM UNAUDITED STATEMENT OF INCOME — SILVER DIVISION

	Six Months Ended June 30	
	1974	1973
REVENUE (Note 1)		
Production of metals	\$ 69,383	\$ 514,877
Less: Marketing expenses	—	84,272
	69,383	430,605
EXPENSES		
Mining and development	368,483	264,066
Milling	55,285	36,316
Administration	88,379	44,320
Depreciation	32,167	32,947
Amortization of deferred development expenses	—	194,111
Transportation	19,797	31,239
	564,111	602,999
Less: Sundry income	3,081	8,042
	561,030	594,957
NET LOSS FOR THE PERIOD	\$ 491,647	\$ 164,352
Loss per share	3.5¢	1.5¢

INTERIM UNAUDITED STATEMENT OF DEFERRED EXPENSES — GOLD DIVISION

	Six Months Ended June 30	
	1974	1973
JOUTEL TOWNSHIP — GROUP II		
Development expenses	\$1,207,030	\$ 179,307
Administration expenses	387,479	123,376
Financing expenses	1,958	138,590
	1,596,467	441,273
Less: Income from metal sales (Note 2)	1,652,772	—
	(56,305)	441,273
BALANCE DEFERRED — beginning of period	7,257,238	5,496,551
BALANCE DEFERRED — end of period	\$7,200,933	\$5,937,824

AGNICO-EAGLE MINES LIMITED

INTERIM UNAUDITED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Six Months Ended June 30	
	1974	1973
SOURCE OF FUNDS		
Income from gold sales	\$1,652,772	\$ —
APPLICATION OF FUNDS		
To operations		
Net loss for the period	491,647	164,352
Less: Depreciation and amortization	32,167	227,058
	459,480	(62,706)
Development expenses — Gold Division	1,596,467	441,273
— Silver Division	122,891	158,327
Buildings, machinery and equipment (net)	699,957	451,010
Mining claims and properties	252,876	—
Amalgamation expenses	—	7,873
	3,131,671	995,777
DECREASE IN WORKING CAPITAL	1,478,899	995,777
WORKING CAPITAL (DEFICIENCY) — beginning of period	(1,687,373)	55,321
WORKING CAPITAL DEFICIENCY — end of period	\$3,166,272	\$ 940,456

NOTES TO FINANCIAL STATEMENTS

June 30, 1974

NOTE 1: SILVER DIVISION

The policy of the company is to recognize revenue after the ore has been milled. Revenue from metal production represents metal sales from milling of rock dumps from May 13 to June 30, 1974. Milling of ore from the Trout Lake property commenced July 10, 1974.

NOTE 2: GOLD DIVISION

The company commenced milling operations during the period ended June 30, 1974. As the mill was in a preproduction "tune-up" stage during this period, income derived from metal sales has been credited to deferred expenses.